

# **MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION**

**M P E R A**

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## **REPORTING HANDBOOK FOR EMPLOYERS**

### **Chapter 10**

**Information Pertaining to the Following System:**

**MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)**

**For Use by All Payroll Clerks of Reporting Agencies**

## Chapter 10 - MPORS

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# Membership - MPORS

## Introduction

The Municipal Police Officers' Retirement System (MPORS) is a public pension system that provides retirement, disability, and death benefits for Montana police officers employed by first- and second-class cities and other cities that wish to adopt the plan. Cities may contract with the Board to cover their police officers under the MPORS.

Besides general information, this chapter provides a summary of the law contained in Title 19, Chapters 2 and 9, MCA. Our staff conducted careful research to ensure this chapter accurately reflects the law that governs the MPORS. If this handbook differs from the law or rules as interpreted by staff, the law or rules will apply.

## Mandatory Membership

Membership is required for all police officers employed by first- and second-class cities, and those other cities which choose to provide coverage under the MPORS. Membership will begin for an individual police officer on the first day of employment or the effective date of the city's election of the MPORS coverage, whichever is later.

Each police officer in a covered position must complete a membership card upon initial employment. A member **may not stop membership without ending employment**. The employer must send the card to the MPERA with the first monthly payroll report that lists the new member. **All newly hired police officers must submit a new membership card even if they are already MPORS members.**

The MPERA will **not pay a benefit or refund** to a member unless the MPERA has a membership card on file. Members are responsible for keeping the information on file with the MPERA current. Members may update information by completing a new card and sending it to the MPERA. Marriage, birth of a child, divorce, and death of a beneficiary are reasons for submitting an updated membership card.

*Membership is required for all police officers employed by first- and second-class cities, and those other cities which choose to provide coverage under MPORS.*

**Transfer to PERS-  
and SRS-covered  
Positions**

*An active member  
can not be covered  
under any other  
mandatory retire-  
ment plan for police  
service.*

An **injured nonvested member** who transfers to a Public Employees' Retirement System (PERS)-covered position in the same municipality will receive credit for all service and accumulated contributions (contributions and interest) previously credited with the MPORS. The amount of employer contributions transferred will be equal to the amount that would have been contributed if the transferred service had been normal employment covered under the PERS.

A police officer who transfers to a Sheriffs' Retirement System (SRS)-covered position can remain in the MPORS or transfer to the SRS. If the member elects to become a member of the SRS, they may remain an inactive member of MPORS or transfer their MPORS service into the SRS by paying the actuarial cost of the service in the new system. The member's irrevocable election to stay in the MPORS or change to the SRS must be filed with the MPERA within 30 days of hire into a SRS-covered position. An SRS Election of Coverage form for active MPORS members who transfer to an SRS-covered position on or after July 1, 2001 must be completed by the employee and returned to the SRS employer. The SRS employer must file the form with the MPERA by the deadline.

**Note:** An active member can not be covered under any other mandatory retirement plan for police service. This includes any retirement plan to which an employer is required to contribute on the officer's behalf. This limitation does not apply to social security.

## Membership Cards - MPORS

### New Employees

Each employee must complete a membership card on the first day of employment. The employee must complete both sides of the card. The employee must sign the card and a disinterested third-party must witness the signature. The employer must send the card to the MPERA with the first payroll report which lists the employee as a new member. Please do not send a membership card prior to the first payroll report which lists the member. Instructions for completing the membership card are at the end of this section.

### When to Update The Information

Members should update the information on their membership card every few years or when any of the information changes. Each year the MPERA sends a statement of account to all members, which also includes the beneficiary information on file with the MPERA. If the beneficiary information is out of date or wrong, the member should submit a new card. Members should complete a new card for any of the following reasons:

1. Marriage
2. Birth of children
3. Divorce
4. Death of a beneficiary
5. Name changes for any other reason

The MPERA will contact the current beneficiary on file upon the death of a member. This information is extremely important and each member must keep it current and correct.

**Refunds and other benefits cannot be processed unless a membership card is on file with the MPERA.**

### Statutory Beneficiaries

The member's present spouse and dependent children must be named on the back of the membership card. In accordance with statute, they are the beneficiaries of the member's retirement benefit. In the absence of a surviving spouse, the benefit will continue collectively to dependent children, until there are no dependent children.

### Other Beneficiaries

A MPORS member may designate one or more other beneficiaries when filling out the membership card. If the member leaves no surviving spouse or dependent child at the time of death, the designated beneficiary would be eligible to receive any balance in the member's MPORS account. The member may change beneficiaries any time by completing a new card and sending the card to the MPERA.

**Death Benefits**

*The member's present spouse or dependent children, if there is no surviving spouse, are the beneficiaries by statute.*

*If there is no surviving spouse or dependent child at the time of death, the designated beneficiary would be eligible to receive any balance in the member's MPORS account.*

When a member dies before retirement the member's surviving spouse, or dependent child(ren), if there is no surviving spouse, will receive benefits or a refund as stated below:

- If the member is an active member and has not completed 20 years of membership service, the benefit will be equal to one-half the member's final average compensation.
- If the member is an active member and has completed over 20 years of membership service, the survivorship benefit must equal 2.5% of the member's final average compensation for each year of membership service.
- If the member is an inactive non-vested member, the member's surviving spouse or dependent child will receive a refund of the accumulated contributions (member contributions plus interest).

Terms such as beneficiaries, dependent child, surviving spouse, and survivor mean very specific things within the MPORS and are defined below.

**Beneficiaries** may be natural persons, trusts for the benefit of natural living persons and charitable organizations. A member may designate any of these beneficiaries on the membership card.

**Dependent child** means a child of a deceased member who is unmarried and under 18 years of age, or, who is unmarried, under 24 years of age, and attending an accredited postsecondary educational institution as a full-time student.

**Surviving spouse** means the spouse married to a member at the time of the member's death.

**Survivor** means a surviving spouse or dependent child of the member.

## Completing the Membership Card

All newly hired employees should fill out a membership card even if they are already members of the MPORS. The employee should print or type all entries. See Figure 7 for a sample membership card.

1. **Check One.** Place a check beside Municipal Police Officers' Retirement System (MPORS).
2. **Name.** The employee's last name, first name, initial, and other former names (a family name or previous married name). The employee should include any other last name that may be on file with the MPERA.
3. **Current personal mailing address.**
4. **Social Security Number.**
5. **Agency.** Agency that is presently hiring the employee or currently employs the member.
6. **Date of Birth.**
7. **Check the appropriate reason** for submitting the card.
8. **Name, Social Security Number, Date of Birth, and Sex of spouse and dependent children,** if applicable.
9. **Beneficiaries.** One or more beneficiaries may be named to receive a lump sum payment of the member's accumulated contributions in the event there is not a surviving spouse or dependent children. The member must provide the name, social security number, and the complete date of birth, sex, and relationship for each beneficiary listed. If a member lists more than one beneficiary, they will be on a **share and share alike** basis. The member may specify a different distribution under "Other."
10. **Third Party Witness.** A person who witnesses the member's signature and must be someone other than the spouse, dependent child, or beneficiary.
11. **Signature.** The member's signature and the date the card is signed are required.

*The member must provide the name, address, the complete date of birth, sex, and relationship for each beneficiary listed.*

When submitting membership cards with your payroll, please verify the above items on each card. The MPERA must return all incomplete and incorrect membership cards. If you have any questions about completion of the membership card, please contact the MPERA **before** submitting the card.

## System Requirements

Revised 9/01 ( <b>DO NOT USE EARLIER EDITIONS</b> )				
State of Montana Montana Public Employee Retirement Administration P.O. Box 200131 Helena, Montana 59620-0131 Telephone: 1-877-275-7372 outside the Helena area, or 444-3154 in the Helena area				
<b>MEMBERSHIP CARD</b>				
<b>Check One</b> ? <b>HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM (HPORS)</b> ? <b>MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM (MPORS)</b> ? <b>FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM (FURS)</b> Includes part-paid firefighters <u>voluntarily</u> electing membership in FURS. Once chosen, membership for part-paid firefighters continues until they terminate service and withdraw their contributions.				
<b>**PLEASE USE INK AND PRINT OR TYPE**</b>				
Name: (Last)	(First & MI)	(Previous Last Name)	Social Security Number	
Home Address: (Street /P.O. Box/Rural Route/etc.)		(City)	(State) (Zip)	
Agency by which presently employed		City	Mo Day Yr Sex Date of Birth	
CHECK APPROPRIATE BOX: ? NEW MEMBER/HIRE ? NAME CHANGE ? CHANGE SPOUSE, DEPENDENT CHILD OR BENEFICIARY/OTHER				
YOU <u>MUST</u> COMPLETE THE REVERSE SIDE **DO NOT FOLD**				
<b>**PLEASE PRINT OR TYPE **</b>				
<b><u>SPOUSE/DEPENDENT CHILDREN</u></b>				
<b><u>SPOUSE:</u></b>	<b>NAME (Last, First and MI)</b>	<b>DATE OF BIRTH</b>	<b>SEX</b>	
<b><u>DEPENDENT CHILDREN:</u></b>				
I nominate the following beneficiaries to receive payment in the absence of any surviving spouse or dependent child. NOTE: If you list more than one beneficiary, they will be on a <b>share and share alike</b> basis; if <b>you wish a different allocation</b> , please specify under Other.				
<b><u>BENEFICIARIES:</u></b>	<b>NAME (Last, First and MI)</b>	<b>DATE OF BIRTH</b>	<b>SEX</b>	<b>RELATIONSHIP TO MEMBER</b>
Other				
THIRD PARTY WITNESS - REQUIRED		DATE	MEMBER SIGNATURE - REQUIRED	

**Figure 7**  
**Membership Card (Front and Back)**



## Contribution Rates - MPORS

### Member Contributions

The retirement statutes set the member's contribution rate and only the legislature may change the rate. Since July of 1985, the taxes are deferred on member contributions and the interest these contributions earn. Tax deferred means the member does not pay taxes until receiving the contributions as a refund or a benefit. The employer must compute and deduct the contributions from the employee's pay before deducting federal and state taxes. The current contribution rate of the employee's total compensation is as follows:

- Members covered under the Guaranteed Annual Benefit Adjustment (GABA) pay 9%.
- Members first employed on or after July 1, 1997, pay 9%. (These members are covered under the GABA.)
- Members first employed on or before June 30, 1975, and not covered under the GABA, pay 5.8%.
- Members first employed after June 30, 1975, and before June 30, 1979 and not covered under the GABA, pay 7%.
- Members first employed after June 30, 1979 and before July 1, 1997, and not covered under the GABA, pay 8.5%.

### Employer Contributions

Current law also requires all employers to contribute 14.41% of their total MPORS-covered payroll to the retirement system. Each month, the employer must send the total employee and employer contributions to the MPERA. The MPERA will put the contributions in the trust fund. The state of Montana annually contributes an amount equal to 29.37% of the total compensation paid to municipal police officers each year. These contributions are made to the retirement trust fund by the State Auditor .

### Additional Service Purchase Contributions

Any member may contribute beyond regular contributions, but **only to purchase service**. The next section explains service purchases. The member must select a payment schedule provided by the MPERA. An active member can make monthly payments by tax-deferred payroll deduction. These contributions **are** tax deferred and should be deducted **before** computing federal and state taxes.

## Service Purchases - MPORS

### General

**M** PORS members may purchase certain types of service for retirement credit. Some service will count as both service and membership credit, and some will only count as service credit. The following table lists the type of service and the computer code which identifies the service.

SERVICE	CODE
Refund	025
Military	026
1-for-5	040
Other Public	042
Retro Coordination	046
Refund Coordination	047
Active Account Coordination	048

Members who want to purchase service must send a **written request** to the MPERA to receive a cost statement. The member may pay the cost in one lump-sum or active members may make monthly payments by tax-deferred payroll deduction. Inactive vested members, members not paid monthly, or members who wish to self-pay, may send payments directly to the MPERA. (These payments are not tax-deferred.)

The MPERA will account for monthly contributions to purchase service in a separate account. When payment for the service is complete, the contribution for the service purchase will become part of the member's accumulated contributions. These contributions accumulate interest which is tax-deferred.

The member must sign and file a *Payroll Deduction Authorization* form to take advantage of the tax-deferred payroll deduction. Instructions and a sample form are at the end of this section. This irrevocable agreement may not be terminated except by death or termination of employment. The payment schedule cannot be less than three months or more than 60 months (five years).

*The member may pay the cost in one lump-sum or active members may make monthly payments by tax-deferred payroll deduction.*

## System Requirements

*Members may not receive credit for the same service in more than one retirement system.*

### Military Service

### Refunded Service

### Other Montana Public Service

If the service purchase is not completed before the member retires, the service credit will be pro-rated; or, the member can make a lump sum payment to complete the service purchase. Members may not receive credit for the same service **in more than one retirement system**.

The following paragraphs briefly describe some types of service a member may buy. This section does not discuss all available service purchases and is only a summary of the procedures. Members may purchase other service and may also transfer service from other Montana public retirement systems.

Postponing a purchase may increase the cost, since the calculation may use a higher salary or include more interest. Any member interested in buying service should write or call the MPERA for details.

A member may buy up to five years of active military service when they have at least 15 years of membership service. A member may purchase one year of military service for each year of MPORS service credit in excess of 15 years. (e.g., a member with 16 years and seven months of service credit may purchase up to one year and seven months of military service).

Members who received a refund of their MPORS account from previous employment may qualify this service as membership and service credit. The member must repay the contributions plus interest that would have accrued had the member not taken a refund. Requests to purchase refunded service must include the following: the approximate dates of service, the employer's name, the member's social security number, and the member's last name during the service. All previous names are needed because the MPERA may have data filed under those names. For example, a member may have changed names due to marriage or divorce. The MPERA will research the previous service and provide the member with a cost statement.

A MPORS member may at any time before retirement, qualify public service from other statewide retirement systems. The member must have received a refund, or be eligible to receive a refund, of the member's accumulated contributions in the other system. To qualify the service, the member must send the MPERA as much information as possible about the other retirement system and employment. The information must include proof the member terminated employment covered by the other system.

### 1-for-5 Service

*The MPERA will include the additional 1-for-5 service when calculating benefits, but not for retirement eligibility.*

Previous employment with the state or other political subdivisions of the state may also be qualified for service credit. The member must provide salary and employment documentation certified by the member's former employer.

To purchase other Montana public service, members must pay the actuarial cost of the service in the MPORS.

At any time before retirement, a member may buy one additional year of service credit for every five-year period of membership service. A member must meet certain eligibility requirements to purchase the additional service. The MPERA will include the additional service when calculating benefits, but not for retirement eligibility.

**Note:** The total purchase of military and 1-for-5 may not exceed five years.

**Payroll Deduction  
Authorization**

MPORS members who choose to make service purchase contributions by payroll deduction must complete the *Payroll Deduction Authorization* form. Refer to the sample form on the next page. Employers must sign this form and immediately send it to the MPERA when it is completed by the member. The member and employer each keep a copy and the MPERA receives the original.

Section I.

This section provides information regarding this irrevocable contract. The contract may not be revoked, except if the member dies or terminates service.

Section II.

The MPERA will complete the first part of this section as follows:

1. **Number of months** of service the member has contracted to purchase.
2. **Type of service** the member is purchasing.
3. **Number of the Section of the Montana Code Annotated (MCA)** which provides for this service purchase.

The Employee must complete the following:

1. **Amount per month** to be withheld from the employee's salary
2. **Number of months** this amount is to be withheld.
3. **Date** the payroll deduction will begin.
4. **Signature of Member and Date.**
5. **Name of Member** (printed).
6. **Social Security Number** of member.

The employer must complete the bottom of the form:

1. **Signature of Employer Representative.**
2. **Title and Telephone Number** of Employer Representative.
3. **Date** of Signature.



## Absences - MPORS

### Work-Related Illness or Injury

Police officers who are injured in the performance of regular duties must be paid compensation by the employer which is the difference between the member's net salary, with adjustments for income taxes and retirement contributions, and the amount received from workers' compensation. (e.g., If an employee receives 2/3 of their regular compensation from workers' compensation, the agency pays 1/3 of the regular compensation.) You will remit MPORS contributions on 100% of the total compensation received by the member. The payment will continue until the workers' compensation determines the member is no longer disabled, not to exceed one year.

The member, employer, and state retirement contributions required must be calculated and paid on the total compensation as if the member was in active service.

## Final Salary - MPORS

### General

One factor used to calculate a retiree's monthly benefit, is the final average compensation (FAC). For the MPORS, final average compensation is the average of the member's monthly compensation for the last 36 months of service. The MPERA must have the last month's salary, and any payout the member received, to calculate the retiree's final retirement benefit.

*The MPERA must have the last month's salary, and any payout the member received, to calculate the retiree's final retirement benefit.*

The MPERA may pay a retiree an estimated benefit while determining the final benefit, but for no more than three months. If the MPERA cannot determine a final retirement benefit after three months, benefit payments to the member will stop. Benefit payments will not resume until the MPERA determines the final retirement benefit. Any delay in reporting a retiree's final salary may require the MPERA to stop the retiree's benefit payments after three months.

### Certification of Final Salary

When a member requests retirement, the MPERA will send the appropriate forms to the member. First the member must complete and return all forms to the MPERA. The MPERA will then send the employer a *MPORS Final Salary* form. The employer must verify the final salary; this data is used to compute the member's final retirement benefit. Employers must complete and return the form to the MPERA within 30 days of when the member retired. Any delay in returning the final salary information to MPERA may result in the stop of the retiree's benefit.

*Employers must complete and return the form to the MPERA **within 30 days** of when the member retired.*

Final salary for the MPORS includes all compensation paid to the member. Compensation means any payments to an employee from funds controlled by the employer excluding overtime, holiday payments, shift differential payments, compensation time payments, and payments for sick leave and annual leave.

A final salary form must contain details through the **last day** of the member's employment. A member's last day of "work" may not be the last day of "employment." For example, if a member works until March 10 then uses vacation or sick leave until March 31, the **last day of employment** is March 31. The employer must certify the hours of regular, overtime, vacation, and sick leave. Total hours must match total payment for the reported period. (In other words, the total hours times the rate of pay must equal the total payment.)



**Instructions for  
Completing the  
Form**

*The MPERA requires  
the number of regular,  
vacation, and sick  
leave hours, the cor-  
rect hourly rate, and  
the amount paid.*

Following are the instructions for completing the *Final Salary – MPORS* form. The MPERA will complete the top part of the form. Refer to the following sample for information on the section which the employer must complete.

1. **Last day of work.** This includes sick leave or vacation leave your employee uses. If your employee ends employment on February 28, but stays on the payroll using vacation or sick leave until March 31, then March 31 is the last day of employment.
2. **Date of termination.** This is the last day of employment. If your employee ends employment on February 28, but stays on the payroll using vacation or sick leave until March 31, then March 31 is the last day of employment. If the member takes leave without pay until July 10th, the date of termination is July 10. The member is not eligible to receive any retirement benefits until termination of employment occurs.
3. **Final Payment.** You must provide the hours reported on the member's final paycheck multiplied by the hourly rate to calculate the amount.
4. **Base salary.** If the member was hired prior to July 1, 1977, you must provide the annual salary or monthly compensation for the member.
5. **Period of Termination-Final Payment.** This is the last payroll period for which the member will receive a check or payment. If payment for vacation leave, sick leave, or final regular hours will be for March, then March is the period of separation. This example assumes a monthly pay period, but if your pay periods are different, use whatever your pay periods are.
6. **1st and 2nd Period Before Termination.** This should reflect the total salary paid and contributions withheld for those periods. (In the above example, the first and second pay periods will be February and January, respectively.) Salary and contributions for the two preceding and separation pay periods must agree with the amounts reported by the payroll reports.
7. **Preparer's Printed Name.** The person completing the form must print their name.
8. **Preparer's Signature.** The signature of the person completing the form.
9. **Title.** The title of the person who prepared the form.
10. **Date** prepared.

<p>MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION          PO BOX 200131          HELENA MT 59620-0131          406-444-3154</p> <p><b>Final Salary- MPORS</b></p>			
TO:		NAME:	
		SSN:	
		FOR:	
<p><b>This employee submitted a retirement application stating a termination date of &lt;&lt;Retirement Date&gt;&gt;. If this member has not terminated or is using vacation or sick leave on a daily basis after this date, please contact this office <i>immediately</i>.</b> Complete this form and furnish the following information at the earliest possible date. The amounts shown below <b>must</b> agree with the amount reported to the MPERA. Contributions must be withheld from the regular monthly compensation <b>EXCLUDING</b> overtime, holiday payments, shift differential payments, compensation time payments, and lump-sum payments for sick and annual leave.</p>			
<p>Last day of work (sick leave, LWOP or vacation) _____ Date of Termination _____</p>			
	Hours	Rate	Amount
*Final Payment	_____	X \$ _____	\$ _____
<p>Base salary _____ as of _____ MM/YY</p>			
<p>Report salary and contributions by pay period endings:</p>			
<p>I certify the above employee terminated employment with this agency and the information is complete and</p>			
	Pay Period Ending Date	Salary Paid	Contributions Withheld
*Period of Termination-Final Payment			
1st Period Before Termination			
2nd Period Before Termination			
<p>accurate to the best of my knowledge.</p>			
<p>Preparer's Printed Name _____</p>			
<p>Preparer's Signature _____ Date _____</p>			
<p>Title _____ Phone # _____</p>			

**Figure 9**  
**Certification of Final Salary Form**

# DEFERRED RETIREMENT OPTION PLAN

# Deferred Retirement Option Plan (DROP) - MPORS

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## Deferred Retirement Option Plan (DROP)

The Deferred Retirement Option Plan (DROP) was implemented July 1, 2002. This program provides eligible active members of the MPORS an alternative method for payment of benefits. Participation in the DROP is optional, however, it cannot be terminated or changed once a member chooses to participate. The DROP allows active MPORS members to begin accumulating their benefit, without terminating employment, for up to 60 months from the date they are eligible. Their monthly retirement benefits remain in the MPORS trust fund, earning tax-deferred interest, while the member continues to work and receive regular pay.

A member who is at least age 50, and with at least five years of membership service is eligible to participate in the DROP. Members interested should send a DROP information request to the MPERA and include the following information:

- Full name
- Social Security Number
- Mailing address
- Date of birth
- Anticipated date to start the DROP

*MPERA will request the employer to provide the information for the member's current annual compensation to calculate the DROP payment.*

The MPERA will determine member eligibility and will send the member DROP estimates and the DROP application with instructions for filing the application. MPERA will request the employer to provide the information for the member's current annual compensation to calculate the DROP payment.

Employer's will report the member as an active MPORS member while they are in the DROP. The regular contributions to the MPORS will continue while the member continues working and participating in the DROP.

Answers to many of the questions regarding the DROP are addressed in a brochure provided by the MPERA. You will also find this information on the MPERA web site at <http://www.discoveringmontana.com/doa/perb/>

If you have questions or need additional information on the DROP, contact the MPERA.